

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Maple Rapids Public Library</b>	County <b>Clinton</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>2/15/06</b>	Date Accountant Report Submitted to State: <b>4/24/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney, P.C.</b>			
Street Address <b>3511 Coolidge Road, Suite 100</b>	City <b>East Lansing</b>	State <b>MI</b>	ZIP <b>48823</b>
Accountant Signature <i>Abraham &amp; Gaffney, P.C.</i>		Date <b>4/21/06</b>	

**Maple Rapids Public Library  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2005**

Maple Rapids Public Library

Clinton County, Michigan

December 31, 2005

BOARD OF TRUSTEES

Ms. Jodi Schmidt	President
Ms. Marvia Nemetz	Secretary
Ms. Laurie Baker	Treasurer
Ms. Eleanor Ambrose	Trustee
Ms. Tamie Parks	Trustee
Ms. Evelyn Underwood	Trustee
Ms. Becky Bush	Trustee

Maple Rapids Public Library

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Maple Rapids Public Library  
Maple Rapids, Michigan

We have audited the accompanying financial statements of the Maple Rapids Public Library as of and for the year ended December 31, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Library's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Maple Rapids Public Library prepares its financial statements on the basis of cash receipts and disbursements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Library's capital assets which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded for capital assets is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Maple Rapids Public Library as of December 31, 2005, and its revenues, expenditures, and changes in fund balance for the year then ended on the basis of accounting described in Note A.

The Library has not presented a management's discussion and analysis (MD&A) as required supplementary information to the financial statements. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 15, 2006

Maple Rapids Public Library

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS

December 31, 2005

ASSETS	
Cash	\$ 36,385
Investments	<u>19,777</u>
TOTAL ASSETS	<u>\$ 56,162</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -0-
FUND BALANCE	
Unreserved	
Undesignated	<u>56,162</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 56,162</u>

See accompanying notes to financial statements.

Maple Rapids Public Library

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - CASH BASIS

Year Ended December 31, 2005

RECEIPTS

Taxes	\$ 7,281
Penal fines	37,021
Intergovernmental - State	3,422
Contribution - local	1,255
Donations	366
Interest	326
Video rentals	4,959
Charges for services	1,812
Miscellaneous	<u>1,157</u>

TOTAL RECEIPTS	57,599
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DISBURSEMENTS

General government	
Recreation and cultural	
Salaries	28,059
Payroll taxes	2,133
Office supplies	4,465
Books, periodicals, and tapes	10,576
Per Diem fees	500
Insurance	770
Continuing education	503
Utilities	5,293
Capital Library co-op	1,711
Repairs and maintenance	18,156
Dues and memberships	150
Miscellaneous	<u>132</u>

TOTAL DISBURSEMENTS	<u>72,448</u>
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EXCESS OF RECEIPTS (UNDER) DISBURSEMENTS	( 14,849 )
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Fund balance, beginning of year	<u>71,011</u>
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Fund balance, end of year	<u>\$ 56,162</u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Under Public Act 164 Section 10 of 1877, the Village of Maple Rapids created the Maple Rapids Public Library. The Village collects and distributes property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is an elected Board by the Village, which is comprised of seven (7) members.

The Maple Rapids Public Library's goal is to provide quality library service to Maple Rapids area residents by improving library service and encouraging educational advancement.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14 (as amended by GASB Statement No. 39), *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Maple Rapids Public Library. The Maple Rapids Public Library has no activities that would be classified as component units.

2. Basis of Presentation

The operation of the Library is organized on the basis of a General Fund. The operation of the General Fund is accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues, and expenditures. Library resources are allocated to and accounted for in the general fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fund reported in the financial statements is categorized and described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the Library and is used to account for all financial resources.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Statement of Assets, Liabilities, and Fund Balance - Cash Basis. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The accounting policies of the Library do not conform to accounting principles generally accepted in the United States of America as applicable to Libraries. The General Fund is accounted for using the cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America primarily because the Library has not recognized accounts receivable, accounts payable, and accrued items and their related effects on the changes in fund balance.



Maple Rapids Public Library  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Cash and Investments

Cash consists of one (1) money market checking account.

Investments include a certificate of deposit with an original maturity of greater than 90 days from the date of purchase.

6. Property Taxes

The Village levies and collects the property taxes for the Library. The Library tax is collected and paid in full by the Village Treasurer. At March 1 each year the Village settles their delinquent taxes with their County Treasurer and the unpaid real property tax is remitted to the Village by the County Treasurer in Clinton County. Delinquent personal property taxes are retained by the Village Treasurer for subsequent collection. The Library is permitted to levy up to \$1 per \$1,000 of assessed valuation on property within the Village. For the year ended December 31, 2005, the Library levied 0.8535 mills.

7. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Library prepares the proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure account level and maintained at the account level.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

8. Capital Assets

Capital assets are not reported in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

9. Comparative Data

Comparative data has not been presented in the financial statements due to the Library's requirement to prepare audited financial statements only once every two years.

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Maple Rapids Public Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Maple Rapids Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2005, the carrying amount and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 36,385	\$ 37,103
Certificate of deposit	<u>19,777</u>	<u>19,777</u>
TOTAL	<u>\$ 56,162</u>	<u>\$ 56,880</u>

Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Maple Rapids Public Library. As of December 31, 2005, the Library's deposits were fully insured by the FDIC.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Library has not adopted a policy that indicates how the Library will minimize credit risk if/when the Library has investments that are subject to this type of risk.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH AND INVESTMENTS - CONTINUED**Interest rate risk

The Library has not adopted a policy that indicates how the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time, if/when the Library has investments that are subject to this type of risk.

Concentration of credit risk

The Library has not adopted a policy that indicates how the Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized, if/when the Library has investments that are subject to this type of risk.

Custodial credit risk

The Library has not adopted a policy that indicates how the Library will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments of collateral securities that are in possession of an outside party, if/when the Library has investments that are subject to this type of risk.

**NOTE C: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the budgetary comparison schedule, the Library's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budget of the Library has been adopted at the total expenditure level for the General Fund.

During the year ended December 31, 2005 the Library incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government	\$ 53,000	\$ 72,448	\$ 19,448

**NOTE D: RISK MANAGEMENT**

The Library is exposed to various risks of loss for general and property liability for which the Library carries commercial insurance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Maple Rapids Public Library

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
RECEIPTS				
Taxes	\$ 7,000	\$ 7,000	\$ 7,281	\$ 281
Penal fines	36,000	36,000	37,021	1,021
Intergovernmental - State	3,000	3,000	3,422	422
Contribution - local	1,000	1,000	1,255	255
Donations	-	-	366	366
Interest	-	-	326	326
Video rentals	5,000	5,000	4,959	( 41 )
Charges for services	2,000	2,000	1,812	( 188 )
Miscellaneous	-	-	1,157	1,157
TOTAL RECEIPTS	54,000	54,000	57,599	3,599
DISBURSEMENTS				
General government				
Recreation and cultural				
Salaries	23,223	23,223	28,059	( 4,836 )
Payroll taxes	1,777	1,777	2,133	( 356 )
Office supplies	6,000	6,000	4,465	1,535
Books, periodicals, and tapes	11,700	11,700	10,576	1,124
Per Diem fees	500	500	500	-0-
Insurance	800	800	770	30
Continuing education	-	-	503	( 503 )
Utilities	5,000	5,000	5,293	( 293 )
Capital Library co-op	-	-	1,711	( 1,711 )
Repairs and maintenance	2,000	2,000	18,156	( 16,156 )
Dues and memberships	2,000	2,000	150	1,850
Miscellaneous	-	-	132	( 132 )
TOTAL DISBURSEMENTS	53,000	53,000	72,448	( 19,448 )
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	1,000	( 14,849 )	( 15,849 )
Fund balance, beginning of year	71,011	71,011	71,011	-0-
Fund balance, end of year	\$ 72,011	\$ 72,011	\$ 56,162	\$( 15,849 )

See accompanying notes to financial statements.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Board of Trustees  
Maple Rapids Public Library  
Maple Rapids, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Maple Rapids Public Library for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Budgets should be monitored and amended when necessary.

As noted in the annual financial statements, the budgeted expenditures of the Library exceeded the amounts appropriated. This issue was noted and reported in our prior audit comments.

The Michigan Public Act 621 of 1978, as amended, provides that the Library adopt a formal budget for the General Fund, and shall not incur expenditures in excess of amounts appropriated.

We suggest the Library monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

2. Detailed records should be kept of all cash receipts.

During our testing of the receipt process, we noted that the Library did not have a detailed receipt log and supporting documentation was not retained for receipts throughout the year. This issue was noted and reported in our prior audit comments.

We suggest that a receipt log be maintained for all cash receipts and that all supporting documentation is retained.

3. The Library should consider adopting a conflict of interest policy.

During the course of our audit it was noted that the Library does not have a conflict of interest policy covering issues such as not having related employees in positions of trust, prohibiting employees and board members from personally benefiting from their dealings as Library representatives, etc.

We suggest the Library consider developing and putting in place a detailed conflict of interest policy. We also suggest that a periodic declaration of compliance be required of employees and board members.

4. The Library should adopt a written credit card policy.

During the course of the audit it was noted that the Library had received credit cards to purchase supplies. An inquiry of Library personnel indicated that the Library Board had not adopted a formal written credit card policy as required by P.A. 266 of 1995 (MCL 129.241). This issue was noted and reported in our prior audit comments.

We suggest that the Library adopt a formal credit card policy as soon as possible to comply with the State of Michigan requirements. The policy must include and/or address the following items:

- a. An officer or employee designated to oversee credit card issuance, accounting, monitoring, and compliance with the policy;
- b. The use of the credit card only for the purchase of goods and services for the official business of the local unit;
- c. User of the credit card must submit documentation of what goods and services were purchased, the cost, the date of purchase, and the official business for which purchase was made;
- d. Office or employee is responsible for credit card protection and custody and must report lost or stolen cards;
- e. Credit card to be returned to local unit at termination of official or employee;
- f. Internal control systems over the use of credit cards;
- g. Approval of credit card invoices prior to payment
- h. The balance including interest must be paid within 60 days of the initial statement date;
- i. Disciplinary measures for unauthorized use of a credit card; and
- j. Other matters the local unit considers advisable.

5. The Board should adopt an investment policy that addresses the disclosure requirements of GASB Statement No. 40.

For the fiscal year ended December 31, 2005, the Governmental Accounting Standards Board (GASB) had a new policy that came into effect related to investment risk (GASB 40). During the course of our audit and through discussions with administration, it was noted that the Library's policies do not address the new reporting requirements of GASB Statement No. 40.

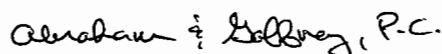
Deposit and investment resources often represent significant assets of the Library's governmental fund. These resources are necessary for the delivery of the Library's services and programs. Effective for the year ended December 31, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Library's ability to provide services and meet its obligations as they become due.

We suggest the Board develop and adopt an investment policy to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Library's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the financial statements, dated February 15, 2006.

This report is intended solely for the use of management and the Board of Trustees of the Maple Rapids Public Library, and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 15, 2006